

Message Text

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PAGE 01 TAIPEI 04794 250719Z
ACTION EB-08

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SUBJECT: ROC EXPORT-IMPORT BANK REGULATIONS APPROVED

1. REGULATIONS ESTABLISHING AN EXPORT-IMPORT BANK RECEIVED FINAL GROC APPROVAL ON JULY 21, 1978. ALTHOUGH STORIES IN THE LOCAL PRESS HAVE STATED THAT THE BANK MAY OPEN IN MID-AUGUST, AN OFFICIAL INVOLVED IN THE ESTABLISHMENT OF THE CHINA EXPORT-IMPORT BANK (UNOFFICIAL ENGLISH NAME) TOLD EMBASSY THAT THE EARLIEST POSSIBLE OPENING DATE WOULD BE IN OCTOBER.

2. THE BANK WILL BE WHOLLY OWNED BY THE GROC, UNDER THE JURISDICTION OF THE MINISTRY OF FINANCE, AS ARE OTHER GOVERNMENT-OWNED BANKS HERE. REGISTERED CAPITAL WILL BE NT\$10 BILLION (US\$278 MILLION), WITH PAID-IN CAPITAL DURING THE FIRST YEAR OF OPERATION AMOUNTING TO NT\$2.5 BILLION (US\$69.5 MILLION), ALL PROVIDED BY GOVERNMENT APPROPRIATION. IN ORDER TO BOOST THE RESOURCES OF THE BANK WITHOUT RELYING ON REDISCOUNTS FROM THE CENTRAL BANK, THE EXIMBANK WILL BE ALLOWED TO BORROW FROM FOREIGN BANKS, AND TO FLOAT COMMERCIAL PAPER AND MEDIUM- AND LONG-TERM NOTES AND BONDS IN BOTH DOMESTIC AND FOREIGN MARKETS.

3. THE NEW BANK IS NOT DESIGNED TO MAKE A PROFIT, ALTHOUGH
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PAGE 02 TAIPEI 04794 250719Z

EMBASSY SOURCE SAID THE BANK "CANNOT LOSE MONEY EITHER."
ITS FUNCTION WILL BE TO PROMOTE EXPORTS AND IMPORTS DIRECTLY RELATED TO EXPORTS. THE SCOPE OF ITS BUSINESS WILL DIFFER FROM THAT OF EXISTING COMMERCIAL BANKS. AT PRESENT, LOANS FROM COMMERCIAL BANKS RELATING TO EXPORTS ARE LIMITED TO (1) SHORT-TERM PRE-EXPORT LOANS AND (2) INTERNATIONAL COMMERCIAL BANK OF CHINA'S MEDIUM-TERM EXPORT

LOANS, AVAILABLE ONLY FOR EXPORTS OF MACHINE TOOLS, CERTAIN FISHING BOATS, CONTAINERS, AND COMPLETE PLANTS. THESE TWO TYPES OF LOANS HAVE NOT BEEN SUFFICIENT TO MEET THE DEMANDS OF ROC ENTERPRISES DURING A PERIOD OF RAPIDLY EXPANDING INTERNATIONAL TRADE.

4. ACCORDING TO THE REGULATIONS ESTABLISHING THE BANK, THE EXPORT-IMPORT BANK WILL PROVIDE LOANS AND GUARANTEES OF MEDIUM- AND LONG-TERM FUNDS TO FINANCE EXPORTS (ESPECIALLY OF MACHINERY AND CAPITAL GOODS), IMPORTS (OF IMPORTANT RAW MATERIALS FOR USE BY EXPORTERS), INVESTMENTS ABROAD (WHICH WOULD HELP PROMOTE EXPORTS), AND OVERSEAS CONSTRUCTION CONTRACTS.

5. THE BANK WILL ALSO ISSUE TWO TYPES OF EXPORT INSURANCE: (1) INSURANCE AGAINST COMMERCIAL, POLITICAL, AND EXCHANGE FLUCTUATION RISKS RELATING TO EXPORTS. POLICY BUYERS WOULD BE ROC EXPORTERS. (2) INSURANCE ON EXPORT LOANS, AGAINST THE RISK THAT EXPORTERS WOULD DEFAULT ON LOANS EXTENDED TO THEM. POLICY BUYERS WOULD BE FINANCIAL INSTITUTIONS EXTENDING EXPORT LOANS. THESE TWO KINDS OF INSURANCE HAVE NEVER PREVIOUSLY BEEN ISSUED BY LOCAL INSTITUTIONS AND COULD PROVIDE AN IMPORTANT INCENTIVE TO BOTH EXPORTERS AND COMMERCIAL BANKS.

6. ENGLISH TRANSLATION OF THE NEW REGULATIONS IS BEING UNCLASSIFIED

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PAGE 03 TAIPEI 04794 250719Z

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